



**PICEANCE ENERGY, LLC**  
(A LARAMIE ENERGY SUBSIDIARY)  
1512 LARIMER STREET, SUITE 1000  
DENVER, CO 80202

TEL: (303) 339-4400  
FAX: (303) 339-4399

May 29, 2014



*Submitted via email to WRNFleases@blm.gov*

Mr. Steven Bennett  
Colorado River Valley Field Office  
Bureau of Land Management  
2300 River Frontage Road  
Silt, CO 81652

Re: *Piceance Energy, LLC - Request for Suspension of Operations and Production of  
Federal Oil and Gas Lease COC 75070*

Dear Mr. Bennett:

Piceance Energy, LLC, a subsidiary of Laramie Energy II, LLC (collectively "Piceance") is the lessee of the above-described lease issued by the Bureau of Land Management ("BLM"). In accordance with Section 39 of the Mineral Leasing Act ("MLA") and the BLM regulations at 43 C.F.R. §§ 3103.4-4 and 3165.1, Piceance requests a suspension of operations and production on the above-described federal lease effective as of May 1, 2014. Piceance's request for suspension of operations and production is in the interest of conservation of natural resources given the BLM's April 2<sup>nd</sup> initiation of additional analysis under the National Environmental Policy Act ("NEPA") of the decision to issue the lease. *See* 79 Fed. Reg. at 18576 (April 2, 2014); BLM Manual, 3160-10.2.21.A.1, 3160-10.2.21.B.1 (Rel. 3-150, 3/13/1982) ("Suspension Manual").

The requested suspension would not prohibit Piceance from continuing planning or permitting activities, or "casual use" activities as defined in Onshore Order No. 1, 72 Fed. Reg. 10328, 10329 (Mar. 7, 2007).

### **Proceedings:**

Lease COC 75070 was acquired by Piceance on December 12, 2011 as a result of the November 10, 2011 Colorado lease sale. The effective date of the lease is January 1, 2012. The lease expiration date is December 31, 2021.

COC 75070 is described as follows:

Township 7 South, Range 93 West, 6<sup>th</sup> P.M.

Section 19: Lots 5, 6, 9-12, 17, 18

Section 20: N/2, W/2SW/4, N½SE/4, SW/4SE/4

Section 29: Lots 4, 9, 12

Section 30: Lots 5, 6, 12, S/2NE/4, NE/4SE/4

Garfield County Colorado

1,161.33 gross and net acres

The lease is located in the general area of our West Mamm Field project.

On April 2, 2014, BLM published a "Notice of Intent to Prepare an Environmental Impact Statement for the Previously Issued Oil and Gas Leases in the White River National Forest; Silt Colorado," 79 *Fed. Reg.* 18576 (April 2, 2014). ("Scoping Notice.") In the Scoping Notice, the BLM stated that "the BLM will conduct its own NEPA analysis through this EIS regarding these previous decisions to lease WRNF lands for oil and gas development. The BLM will determine whether these 65 leases should be voided, reaffirmed, modified with additional or different terms, or subject to additional mitigation measures for site-specific development proposals." 79 *Fed. Reg.* at 18576. COC 75070 is identified as one of the 65 leases targeted by this Scoping Notice. See "List of affected leases." [www.blm.gov/co/st/en/fo/CRVFO/existing\\_leases\\_on.html](http://www.blm.gov/co/st/en/fo/CRVFO/existing_leases_on.html). BLM has indicated that the anticipated completion of the NEPA process is the summer 2016. See *id.*, "Frequently Asked Questions" and "Scoping Notice Hearing Presentation." BLM has not said when a Record of Decision would issue. *Id.*

### **Discussion:**

Piceance has filed comments opposing this NEPA process to reconsider the decision to issue Lease COC-75070. See R. Boswell, Piceance, letter to S. Bennett (May 16, 2014). This NEPA process has created significant uncertainty for our development of this lease. BLM has stated that it will consider cancelling, voiding or modifying this lease. Given this uncertainty, it makes no business sense to invest in development of the lease until the NEPA process concludes. Moreover, BLM informed other similarly situated lessees that during this two year or more NEPA process, "[n]o leasehold activities will be authorized until a NEPA analysis addressing the leasing decisions is completed." S. Bennett, Suspension Decision for SG Interests, I and Ursa Piceance, LLC (April 9, 2013). ("SG/Ursa Suspension"). This NEPA delay is BLM's decision, not that of Piceance.

Piceance should not lose two plus years of its congressionally-provided 10-year lease term due to BLM's decision, some two and one-half years after it decided the lease could be issued, that it needs an EIS to re-consider its lease issuance decision. *See* BLM Suspension Manual App. I at 3. ("[T]he Department ought in all cases, where the preparation of an environmental impact statement or other environmental studies is required, to suspend operations and thus assure the lessee that he will receive an extension comparable to the period during which operations are prohibited and thus not be deprived of any of the development period which the Congress has granted him.")

In the SG/Ursa Suspension Decision, you determined that BLM's decision to grant a request for suspension was discretionary. *Citing Carbon Tech Fuels, Inc.*, 161 IBLA 147, 161 (2004). SG/Ursa Suspension at 2. You found that the Mineral Leasing Act, Section 39 was intended "to provide extraordinary relief when lessees are denied beneficial use of their leases." *Id.* You further identified two BLM Suspension Manual sections that apply to Piceance with equal force: "1) situations in which the BLM initiates environmental studies that prohibit beneficial use of the lease(s) or 2) situations in which the 'BLM . . . needs more time to arrive at the decision on the proposal.'" *Id.*

Finally, you concluded that, "[w]e find no prohibition, neither under the MLA, its implementing regulations, BLM guidance, nor interpretive case law, in suspending an onshore oil and gas lease that, through no fault of a lessee or bona fide purchaser, was sold and issued without adherence to the agency's procedural obligations. In fact, suspension is generally the initial and preferred first step in remedying a procedural fault in issuing a federal oil and gas lease and assuring the prevention of environmental harm." *Id.* At 3.

For these same reasons, BLM should grant the Piceance request for lease suspension of COC 75070. The requested suspension of operations and production would toll the running of the term of the lease and effectively add the period of suspension to the primary term of the lease and suspend the payment of annual rental payments. 30 USC § 209; 43 (C.F.R. § 3103.4-4 (b) and (d). Piceance requests the suspension be dated as of May 1, 2014, the first day of the month in which this request was filed and remain in effect for two years or until the Record of Decision on the BLM's above-described NEPA process is issued, and Piceance is allowed to conduct leasehold activities on COC 75070, whichever is longer.

Sincerely,



Robert Boswell  
Chairman and Chief Executive Officer  
Laramie Energy II, LLC  
Piceance Energy, LLC

RB